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THE HAMILTON GROUP LIMITED

ANNUAL REPORT 1972

HIGHLIGHTS 1972

THE HAMILTON GROUP LIMITED

	1972	1971
Gross income	$22,618,880.00	$18,023,840.00
Earnings available for common shares	$ 1,715,489.00	$ 1,098,228.00
Earnings per share		
Income before extraordinary items	$ .74	$ .53
Net income	$ .79	$ .58
Dividends paid	$ .22	$ .15
Total assets at the year end	$56,807,364.00	$44,842,153.00
Common shares owned in Canada	97.7%	97.7%

CONTENTS

DIRECTORS AND OFFICERS

THE HAMILTON GROUP LIMITED

HEAD OFFICE:

270 Sherman Avenue North, Hamilton, Ontario

DIRECTORS:

George L. Davis	Chairman, Citicorp Leasing Group
Stephen C. Eyre	Senior Vice-President, First National City Bank
Brian Livsey*	President, Citicorp Leasing Inc.
Lincoln S. Magor	President, Mimik Limited
John F. Schunk*	President, North America Business Equipment Limited and The Medi-Dent Service Limited
Robert N. Steiner	Senior Partner, A. E. Ames & Company
Alan B. Young*	Senior Vice-President, The Hamilton Group Limited
David M. Young*	Senior Vice-President, The Hamilton Group Limited
James M. Young	Vice-President, The Hamilton Group Limited
Raymond O. Young*	Vice-President, Citicorp Leasing International Inc.
W. H. Young*	President, The Hamilton Group Limited

HONORARY DIRECTOR:

Alan V. Young

*Members of the Executive Committee

OFFICERS:

William H. Young	President
Alan B. Young	Senior Vice-President
David M. Young	Senior Vice-President
James M. Young	Vice-President
Paul A. Southall	Vice-President and Secretary

REGISTRAR AND TRANSFER AGENT:

Canada Permanent Trust Company, Toronto, Ontario

ANNUAL REPORT OF DIRECTORS

THE HAMILTON GROUP LIMITED

TO THE SHAREHOLDERS:

Highlights for The Hamilton Group Limited for its fiscal year ended April 30, 1972 were:

- net income for the year of $1,754,509, an increase of 58% from the previous year;
- total assets of $56,807,364 at the year end, an increase of 27% in the year;
- net income from Canadian leasing subsidiaries of $1,268,000, an increase of 55% from the previous year;
- net income from international investments of $306,434;
- a subdivision of common shares on a three-for-one basis;
- two increases in the quarterly rate of the common share dividend;
- the completion of the agreement with Citicorp Leasing International Inc.;
- the private placement of a long-term subordinate loan of $3,000,000.

FINANCIAL

Consolidated net income was $1,754,509 for the fiscal year, amounting to 79c per common share on 2,159,067 shares, the average number outstanding during the year.

Had all the outstanding warrants and the convertible second preferred shares been converted into common shares at the beginning of the year, there would have been 2,605,650 common shares of the Company outstanding during the year and it is estimated that the earnings per common share would have been approximately 68c on this basis. This is slightly less than the fully diluted earnings as reported in Note 12 to the Financial Statements which only include the effect of the conversion of the second preferred shares from the date of issue.

Included in the consolidated net income for the year is a reduction in income taxes otherwise payable of $121,000 arising from the application of losses of prior years. Similar reductions in income taxes should be realized in future years because of accumulated losses available for carry-forward.

The book value of the investment of The Hamilton Group in 100,000 common shares of the Cosmos Imperial Mills, Limited was written down to the market value of $1.10 per share at the fiscal year end. This write-down of $140,000 was partially offset by the elimination of reserves previously established against certain investments which are now profitable or which have been sold.

An amount of $475,000 was appropriated from Retained Earnings as a reserve against the estimated loss, net of tax recovery, which could result from a forced sale of textile assets under lease to Cosmos Imperial Mills Limited. This appropriation did not affect consolidated income for the year but is shown in the Statement of Retained Earnings.

The agreement with Citicorp Leasing International, Inc., referred to in detail in last year's annual report and approved by the shareholders of the Company at a special meeting held on December 17, 1971, was implemented. As a result, Citicorp subscribed for 130,000, $10.00 par value 7½%, Series B, preferred shares effective December 22, 1971. Each Series B preferred share carries three votes and is convertible into three common shares of the Company at any time until December 31, 1981.

Also as part of this agreement Citicorp arranged a loan of $3,000,000 in 8½% subordinate debentures maturing, December 15, 1986, which are repayable semi-annually commencing June 15, 1977 in amounts of $225,660, including principal and interest. These debentures are guaranteed by First National City Corporation for which Hamilton Group pays a fee of 1% per year.

ANNUAL REPORT OF DIRECTORS

THE HAMILTON GROUP LIMITED

The preferred share subscription and the subordinate debt represent the first draw of financing under the agreement. Two similar draws are available at eighteen month intervals.

The common shares of the Company were subdivided on a three-for-one basis with effect from January 5, 1972. At the year end there were 2,209,650 common shares outstanding, together with warrants to purchase 6,000 shares at $2.33 per share until July 2, 1972. Also, 390,000 common shares are reserved for the conversion of the Series B preferred shares held by Citicorp.

The quarterly dividend rate on the common shares of the Company was increased to 5c per share (after giving effect to the three-for-one share subdivision) from 3⅓c per share, with the dividend paid July 2, 1971 and further increased to 6c per share with the dividend paid April 2, 1972.

The Hamilton Group Limited is now a holding company with no operating divisions. It is intended that borrowing in future, whether by bank loan, long-term debt or in the commercial paper market, will be done by the parent company. It, in turn, will lend to the subsidiary companies.

BOARD OF DIRECTORS

At a special meeting of shareholders held on December 17, 1971, the membership of the Board of Directors was increased to thirteen. There were two vacancies at the year end which will be filled at the annual meeting of shareholders to be held September 15, 1972.

Mr. J. F. Schunk, President of both North America Business Equipment Limited and The Medi-Dent Service Limited, joined the Board during the year bringing to its deliberations the benefit of his valuable experience in a number of business activities.

During the year Mr. J. T. Milton resigned from the Board on leaving his position as President of Citicorp Leasing International, Inc. Mr. Milton was the chief architect on the Citicorp side of the agreement with The Hamilton Group Limited. His interest, his counsel, and his assistance during his short association with the Company were most helpful and were much appreciated.

Mr. T. L. Townsend, Jr., Vice-President of Wachovia Bank and Trust Company, was a member of the Board of Directors of North America Business Equipment Limited and The Medi-Dent Service Limited. After The Hamilton Group purchased the NABEL and Medi-Dent shareholdings of Wachovia in 1970, Mr. Townsend did not stand for re-election to these Boards. His efforts on behalf of NABEL and Medi-Dent, particularly in securing loan assistance during periods of tight money, went well beyond those expected of a director and were a major factor in the growth of the leasing subsidiaries. Those who have been associated with Mr. Townsend are grateful to him for his important contribution to the success of these Companies.

The four nominees of Citicorp presently on the Board of Directors are: Stephen C. Eyre, George L. Davis, Brian Livsey and Raymond O. Young. Their presence on the Board with the wide-ranging experience they bring to it, has provided immeasurable strength and breadth of vision to the planning and execution of the Company's affairs.

On behalf of the Board.

W. H. YOUNG,
President.

CANADIAN LEASING OPERATIONS

THE HAMILTON GROUP LIMITED

HEAD OFFICE:

270 Sherman Avenue North, Hamilton, Ontario

SALES OFFICES:

Halifax, Nova Scotia
Quebec City, Quebec
Montreal, Quebec
Ottawa, Ontario
Hamilton, Ontario
London, Ontario
Winnipeg, Manitoba
Calgary, Alberta
Edmonton, Alberta
Vancouver, British Columbia

OFFICERS:

	DIRECT	MDS	NABEL
Chairman of the Board	A. B. Young	N. H. Webster, DDS	A. B. Young
President	W. J. Bell	J. F. Schunk	J. F. Schunk
Vice-President	J. F. Schunk	W. J. Bell	W. J. Bell
Vice-President, Marketing		L. W. Maddison	B. C. Bergstrom
Vice-President, Credit			J. R. Screaton
Secretary	O. M. Nitschke	O. M. Nitschke	O. M. Nitschke
Treasurer	R. A. Fielding	O. M. Nitschke	R. A. Fielding

TRUSTEE FOR SECURED DEBENTURE HOLDERS:

MDS	The Canada Trust Company
NABEL	The National Trust Company

TRUSTEE FOR NABEL SUBORDINATE DEBENTURE HOLDERS:

Montreal Trust Company

CANADIAN LEASING OPERATIONS

THE HAMILTON GROUP LIMITED

Leasing in Canada maintained a strong growth pattern in the fiscal year ended April 30, 1972, demonstrating a rising demand for the service from the business, industrial and professional communities.

In the first full year of consolidation of the results of the three Canadian operating companies — Direct Leasing Limited (DIRECT), The Medi-Dent Service Limited (MEDI-DENT) and North America Business Equipment Limited (NABEL)— net income increased 54.6% to $1.268 million after provision for income taxes. Total assets increased by 27.5% to $48 million over the previous year.

During the year, sales, as represented by "Leases Receivable Added," increased 22.7% to a new record of $32.1 million, while net losses due to bad debts showed only an 11.6% increase to $260,000, representing 0.45% of average leases receivable outstanding during the year. Thus, despite record sales volume, credit performance improved considerably. The allowance for possible future losses increased 31.9% to $1.074 million and is now 1.9% of leases receivable.

As reported in the 1971 annual report, DIRECT was formed to provide an equipment leasing service in areas not covered by MEDI-DENT or NABEL. The Company became operative in September when it signed its first lease, and since that time has shown exceptional growth, which is being maintained in the current fiscal year.

DIRECT now services Ontario and Quebec with its own staff, and the rest of the country in conjunction with NABEL and MEDI-DENT. DIRECT will develop its own staff in the rest of Canada as soon as possible and this expansion should bring additional growth.

The steady growth of leasing operations in Canada can be seen clearly in the Combined Five Year Summary (Page 9).

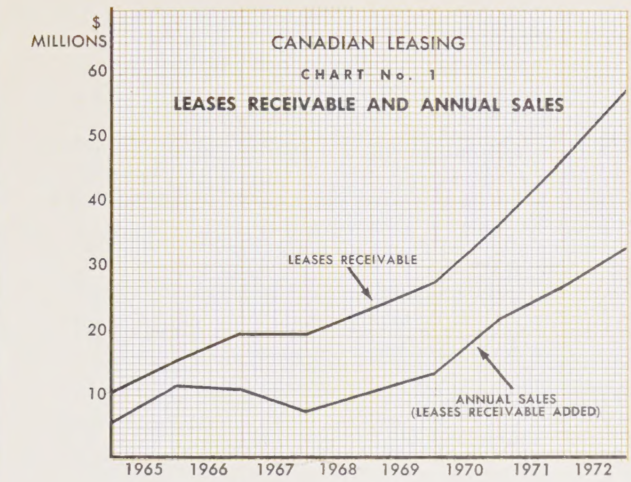
The outlook is for a continuation of this trend in the current fiscal year. Expectations are further heightened by the Combined Summary (Page 8) item, "Future Commitments to Purchase Equipment for Lease"—up 108% over last year.

However, many new firms are entering the equipment leasing field and greater competition can be expected in the future.

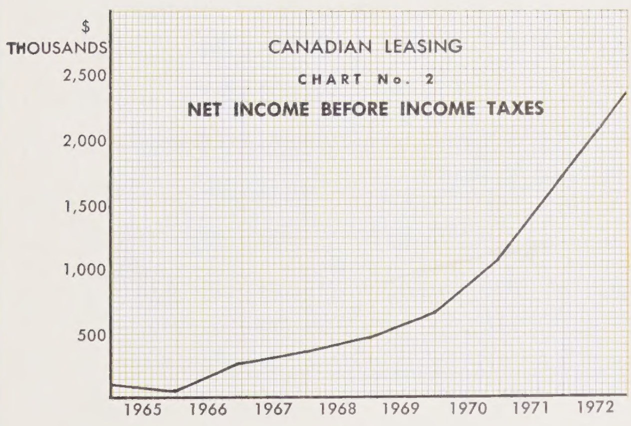
A word of thanks is in order for all the staff of the leasing operations who have made possible the continued profitable expansion of the Canadian leasing operations.

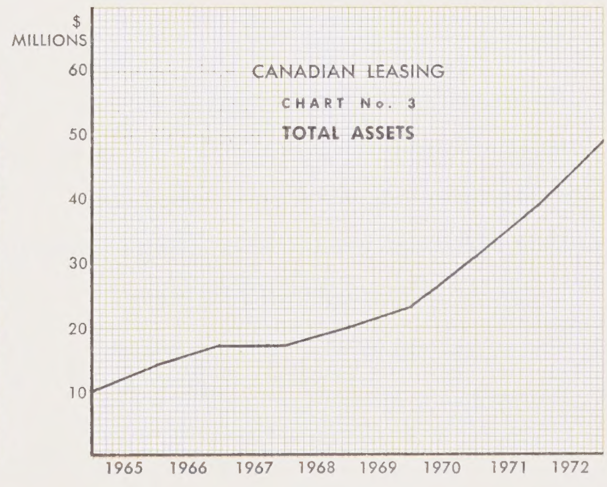
CANADIAN LEASING OPERATIONS

THE HAMILTON GROUP LIMITED



The charts presented on this page indicate the continuing upward trend of the more significant statistics of the Canadian leasing operations. Projections for the current year indicate that these trends will continue.





CANADIAN LEASING OPERATIONS

THE HAMILTON GROUP LIMITED

COMBINED SUMMARY OF RESULTS

FOR THE 12 MONTH PERIOD ENDED APRIL 30th	1972	1971	Percentage Increase (Decrease)
Lease income	$18,571,000	$14,450,000	28.5
Earned income	$ 7,792,000	$ 6,264,000	24.4
General and administrative expenses	$ 2,380,000	$ 1,788,000	33.1
Cost of borrowed money	$ 2,444,000	$ 2,256,000	8.3
Net income	$ 1,268,000	$ 820,000	54.6
Net losses due to bad debts	$ 260,000	$ 238,000	9.2
Leases receivable added	$32,126,000	$26,184,000	22.7
AS AT APRIL 30th			
Number of leases	51,300	41,200	24.5
Leases and notes receivable	$57,288,000	$45,977,000	24.6
Unearned income	$13,625,000	$11,554,000	17.9
Allowance for possible future losses	$ 1,074,000	$ 814,000	31.9
Original cost of equipment on lease and renewal	$73,592,000	$57,803,000	27.3
Estimated residual value of equipment	$ 2,385,000	$ 1,818,000	31.2
Future commitments to purchase equipment for lease	$ 6,880,000	$ 3,303,000	108.3
Number of employees	166	137	21.2

CANADIAN LEASING OPERATIONS

THE HAMILTON GROUP LIMITED

COMBINED FIVE-YEAR SUMMARY

(Dollar amounts expressed in $000's)

BALANCE SHEET		1972	1971	1970	1969	1968
Leases receivable	$	57,288	45,977	36,159	27,414	23,184
Allowance for losses	$	1,074	814	577	430	221
Allowance for losses to leases receivable	%	1.9	1.8	1.6	1.6	1.0
Unearned income	$	13,625	11,554	8,983	6,367	5,005
Unearned income to leases receivable	%	23.8	25.1	24.8	23.2	21.6
Estimated residual value of equipment	$	2,385	1,818	1,262	742	380
Total assets	$	48,590	38,127	30,920	23,707	19,992
OPERATIONS						
Lease income	$	18,571	14,450	11,121	8,730	6,433
Earned income	$	7,792	6,264	4,694	3,433	2,404
General and administrative expenses	$	2,380	1,788	1,208	837	668
General and administrative expenses to earned income	%	30.5	28.5	25.7	24.4	27.8
Provision for losses	$	519	470	450	448	239
Provision for losses to earned income	%	6.7	7.5	9.6	13.0	9.9
Cost of borrowed money	$	2,444	2,256	1,983	1,404	935
Cost of borrowed money to earned income	%	31.4	36.0	42.2	40.9	38.9
Net income before income taxes	$	2,351	1,713	1,058	671	603
Leases receivable added	$	32,126	26,184	21,214	14,138	10,668
Original cost of leased equipment	$	73,592	57,803	45,897	35,685	29,224
Net losses due to bad debts	$	260	232	301	292	295
Net losses to leases receivable	%	0.45	0.50	0.83	1.07	1.27
Number of employees at year end		166	137	105	63	53
Number of leases		51,300	41,200	32,600	25,200	20,800
Average original cost of equipment per lease	$	1,435	1,403	1,408	1,415	1,408

UNITED KINGDOM

Hamilton Leasing Limited, London

Hamilton Leasing Limited again had a very successful year. In the year to May 31, 1972, lease income was up 41% and profits before tax were up 50%; this compares with 32% and 40% respectively in the previous year.

Medenta Services Limited, a wholly-owned subsidiary of Hamilton Leasing, commenced operations in October, 1971, and showed a loss for its first fiscal year ended May 31, 1972. However, new business is developing very well for this United Kingdom version of Medi-Dent Canada, and Medenta Services should expand quickly and move soon into a profit position.

Hamilton Leasing Limited (HLL) owns 20% of the common shares of Hamilton Industrial Leasing Limited (HILL) and also manages it for a fee. HILL was formed several years ago to lease higher value equipment than HLL, at lower effective rates. Control of HILL is held, and finances for it are provided by Industrial Commercial Finance Corporation (ICFC).

ICFC also controls HLL and therefore, the necessity of keeping these two leasing companies financially separate no longer exists. ICFC has agreed that HLL will acquire HILL as soon as the terms of acquisition have been negotiated.

The two companies have been run by the same management, with an identical presentation to their clientele, and the formal acquisition of HILL by HLL only regularizes the existing situation.

In its year to May 31, 1972, HLL had the benefit of very low interest rates on its borrowings and already interest rates have started to increase again in the U.K. However, HLL anticipates an increase in rental income similar to the past twelve months and this, plus the acquisition of HILL, should mean yet another successful year.

During Hamilton Group's fiscal year to April 30, 1972, it received $105,457 in cash dividends from HLL and another $163,800 in stock dividends. As of April 30, 1972 the book value of Hamilton Group's shareholding in HLL was $1,087,850.

HGL (UK) Finance Limited, London
HGL International Finance Limited, London

Since the year end, Hamilton Group has invested in these two, wholly-owned, subsidiary companies in England. Under the Bank of England regulations, "(UK)" can only do business within the sterling area and "International" is prohibited from doing any sterling business. As at balance-sheet date, neither of these companies had commenced any operations.

Subsequent to April 30, 1972, HGL (UK) Finance Limited received Bank of England permission to increase its common share capital to £250,000 and to use £150,000 of this capital to purchase all the outstanding shares of Labhire Limited and Labservice Limited. This acquisition was completed June 21, 1972.

Labhire Limited, London
Labservice Limited, London

Labhire Limited was started in 1967 to rent scientific testing equipment to universities, industrial laboratories, local governments, etc. on a week-to-week basis.

Operations have been profitable since the start, but have been very restricted by lack of funds. The Company has been precluded from entering all the short-term rental markets it has outlined for this type of equipment because of this shortage.

Labhire Limited is small and still in the early stages of market development. However, the potential appears to be substantial.

INTERNATIONAL OPERATIONS

THE HAMILTON GROUP LIMITED

HAMILTON LEASING LIMITED
(all figures in 000's of pounds sterling)

INCOME AND DIVIDENDS
Year ended May 31

	*1972	1971	1970	1969	1968	1967	1966	1965	1964
Lease income	7,050	5,281	4,008	2,861	2,120	1,684	1,188	715	350
Income before income taxes . .	720	480	339	220	205	141	93	48	27
Deferred income taxes	288	(49)	49	—	—	—	—	—	—
Net income	432	529	290	220	205	141	93	48	27
Preference dividends	50	50	51	51	48	45	30	30	18
Earnings available for common shareholders	382	479	239	169	157	96	63	18	9
Common dividends	189	136	—	—	—	—	—	—	—
Retained earnings	193	343	239	169	157	96	63	18	9

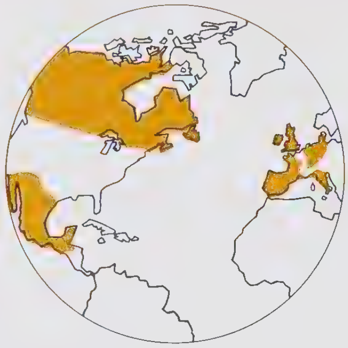
SHAREHOLDERS' EQUITY
At May 31

	*1972	1971	1970	1969	1968	1967	1966	1965	1964
Issued capital:									
Common shares	1,353	1,128	685	480	320	200	160	10	2
Preference shares	500	500	500	500	500	500	500	500	500
Reserves and retained earnings .	685	492	407	170	161	123	65	22	12
Shareholders' equity	2,538	2,120	1,592	1,150	981	823	725	532	514

*Estimated

INTERNATIONAL OPERATIONS

THE HAMILTON GROUP LIMITED



This short-term rental of scientific instruments has developed into big business in the United States and should develop equally in the U.K. and Europe in the near future.

Labservice Limited is an offshoot of Labhire Limited, which was started in 1969. It is also profitable and also in its infancy.

Much of the scientific testing equipment rented by Labhire must be maintained to very high standards and Labhire found it difficult to purchase the required maintenance outside.

When it developed its own maintenance expertise it found a market from users using their own equipment in their own laboratories. Labservice was formed to sell this maintenance to outside users. Labservice maintains Labhire's equipment, but most of its income comes from outside sales.

FRANCE

Société de Gestion de Biens d'Equipment (SOGEBE), Paris

Bail Equipément (BE), a large leasing company sponsored by the Compagnie Financière de Suez (the former Suez Canal Company), and listed on the Paris Bourse, now owns 48% of SOGEBE.

During the year, Bail Equipément offered to acquire the balance of the shares of SOGEBE, including Hamilton Group's, in exchange for shares of Bail Equipément, with the exact exchange ratio of shares to be decided by an independent consultant. This was agreed to by all shareholders of SOGEBE, and while the independent consultant has not yet reported, the active management of SOGEBE was taken over by BE, January 1, 1972.

Profits for SOGEBE for the year ended December 31, 1971, rose to a record level as new business increased and interest rates declined. However, it was decided to apply the whole of last year's profit as special reserves for bad debts and to declare no dividends for the year.

This was not the result of any deterioration of SOGEBE's business during the year. It was the preference of BE that all the SOGEBE profit of 1971 be applied to reserves and that no income taxes or dividends be paid, with the understanding that the improved cash position of SOGEBE would be recognized by the consultant in determining the share exchange ratio.

The effect on Hamilton Group will be to exchange its 25.1% shareholding in SOGEBE for a very small shareholding in Bail Equipément; however, these BE shares will be listed and saleable on the Paris Bourse.

The book value of Hamilton Group's investment in SOGEBE remains at $417,494 and once its SOGEBE shares have been exchanged for BE shares there will be a market value also for this investment.

BE shares have been a very good investment in France and should continue to be so in the future.

INTERNATIONAL OPERATIONS

THE HAMILTON GROUP LIMITED

ITALY

Societa Esercizio Locaziona Machinne Attrezzature S.p.A. (SELMA), Milan

During the year ended December 31, 1971, SELMA modified its marketing strategy and began writing large value leases in addition to its regular lower value office equipment leases. For the year as a whole it showed a loss, but the new marketing strategy is paying off for SELMA and it expects to make its first profit this year.

Early in 1972, SELMA wrote down its capital to cancel out the 1970 and 1971 losses, and then increased it again to 250 million lire by a rights issue to shareholders. One of the Italian shareholders declined to exercise the rights and the resulting re-shuffle allowed Hamilton Group to increase its ownership of SELMA to 20% from 16%.

Hamilton Group paid in an additional $101,790 in capital to SELMA during the year and now holds its 20% of the shares at a book value of $114,865.

SPAIN

Alquiber, S.A., Madrid

Alquiber's profits for the year ended December 31, 1971, were up approximately 10% over the previous year. Financial conditions in Spain were easier during 1971 and business improved, however, several new competitors entered the market during the year, limiting Alquiber's growth.

Hamilton Group owns 15% of Alquiber, held through Hamilco Holdings Limited at a cost of $167,763.

MEXICO

Impulsora de Equipos de Oficina S.A. (IEOSA) Mexico City

Leases receivable for IEOSA doubled to approximately $5 million during the first nine months of the current fiscal year which ends September 30, 1972. This growth reflects the changes in management reported in the annual report last year.

IEOSA is now opening branch offices, or obtaining representation, in Guadalajara, Monterrey, Vera Cruz and Acapulco. This increased representation, as well as greater market penetration within the Federal District of Mexico, should ensure rapid growth.

Due to unforeseen delays in Government approvals, the agreement with Citicorp Leasing International, Inc., referred to in last year's report, has not been completed, although it is hoped signing will take place within the next few months.

IEOSA is still being financed by Hamilton Group to a greater degree than anticipated and at present the cost of the 70% equity owned by Hamilton Group is $122,000 plus loans of $100,000 and guarantees of other debts of $1 million.

It was recently announced that leasing companies in Mexico will not come under the Bank Act. This will permit more freedom of operation, ownership and financing and will assist in maintaining a rapid expansion of leases receivable.

OTHER INVESTMENTS

THE HAMILTON GROUP LIMITED

HAMILTON-YATES LIMITED

During the year the name of the Company's wholly-owned subsidiary, The P. B. Yates Machine Company Limited, was changed to Hamilton-Yates Limited. Hamilton-Yates Limited acquired the assets of the Narrow Fabric textile operation which was previously operated as a division of The Hamilton Group.

Hamilton-Yates Limited had a profitable year, although the return on the capital invested was unsatisfactory. Sales volume increased in its last four months and a better profit is expected for the year ending April 30th, 1973.

COSMOS IMPERIAL MILLS, LIMITED

The Hamilton Group owns 100,000 shares or 20% of the outstanding shares of Cosmos Imperial Mills, Limited which were valued at $110,000 on Hamilton Group books at its year end. Cosmos again showed a substantial loss for its fiscal year ended December 31, 1971 as its margin was reduced by abnormally high cotton costs resulting from a poor crop year in the United States, together with costs of delay in its restructuring programme because of financial problems. Financial support for this programme was announced by the Federal Department of Regional Economic Expansion in June, 1972. This, together with loans promised by Industrial Estates Limited of Nova Scotia and by the New Brunswick Development Corporation, will enable Cosmos to proceed as rapidly as possible with the consolidation of its manufacturing facilities in three plants.

Hamilton Group has agreed to defer rental payments on leases of textile assets to Cosmos. No payments have been received from Cosmos by Hamilton Group since December 30th, 1971 and Hamilton Group has discontinued taking depreciation on these assets into expense as a result. For these reasons, it was believed prudent to appropriate the reserve referred to earlier, against the loss which might result from a forced sale of these assets. Because of Government financial support to Cosmos mentioned above, which was announced after The Hamilton Group fiscal year end, there is every reason to hope that the reserve will not be required.

REAL ESTATE

Projected increases in staff to support the Company's growth show the present rented head office premises to be entirely inadequate for future needs. As reported last year, a parcel of land, now amounting to 32 acres, has been acquired at the Queen Elizabeth Way and Appleby Line in Burlington, Ontario. It is planned to commence construction in the summer of 1972 of a head office building, with occupancy scheduled for mid-1973. Land not required for the head office will be sold or developed in the future.

There are no present plans for the development of Hamilton Group's land holding of 6 acres in Dundas, Ontario or its holding of 7 acres in Hamilton.

CHARTER CREDIT CORPORATION

The Hamilton Group Limited has agreed in principle to acquire all the outstanding common shares of Charter Credit Corporation, a Quebec company operating in the second mortgage field, at a cost of $2,500,000, payable $1,500,000 cash and $1,000,000 in Hamilton Group 9% subordinate notes maturing in four equal annual instalments commencing two years from the purchase date. It is estimated that Charter Credit will contribute approximately 5c to Hamilton Group's earnings per share in the first year, after allowing for the interest cost of the full purchase price and twenty-year amortization of the excess of the cost of Charter Credit shares over their book value. This contribution to Hamilton Group earnings is expected to grow substantially in future as Charter Credit broadens its operations beyond its present regional limits.

AUDITORS' REPORT TO THE SHAREHOLDERS

THE HAMILTON GROUP LIMITED

We have examined the consolidated balance sheet of The Hamilton Group Limited and subsidiaries as of April 30, 1972 and the consolidated statements of income, retained earnings, contributed surplus, reserve for possible loss on textile leases and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at April 30, 1972 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

Peat, Marwick, Mitchell & Co.

Chartered Accountants.

Hamilton, Ontario,
June 16, 1972.

CONSOLIDATED FINANCIAL STATEMENTS

THE HAMILTON GROUP LIMITED AND SUBSIDIARIES

(note 1)

CONSOLIDATED BALANCE SHEET

April 30, 1972
with comparative figures for 1971

ASSETS

	1972	1971
Cash and short term deposits	$ 2,618,949	$ 1,095,706
Leases receivable (notes 2 and 6)	59,349,313	48,359,130
Allowance for losses	(1,073,777)	(814,127)
Unearned income (note 2)	(14,377,073)	(12,432,252)
Estimated residual value of property and equipment (note 2)	2,505,027	1,938,483
Equipment purchased for lease commitments, at cost	1,830,783	767,082
Mortgages and accounts receivable	835,023	657,495
Income taxes recoverable	—	393,201
Inventories (note 3)	871,453	858,592
Real estate held for sale, at cost	64,671	60,871
Prepaid expenses and deposits	65,795	80,741
Investments and advances (note 4):		
Subsidiary companies not consolidated	377,017	318,440
Others	2,060,179	1,925,956
Property, plant, equipment and improvements (note 5)	1,615,202	1,559,681
Deferred financing expenses less amounts written off	64,802	73,154
	$56,807,364	$44,842,153

See accompanying notes to consolidated financial statements.

(note 1)
CONSOLIDATED BALANCE SHEET
April 30, 1972
with comparative figures for 1971

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
Short term secured debt (note 6)	$27,327,306	$22,643,262
Short term unsecured debt	1,555,000	—
Notes and accounts payable and accrued charges	2,869,208	3,118,356
Income and other taxes payable	504,015	256,055
Long term secured debt (note 6)	5,521,561	6,066,406
Subordinated funded debt (note 7)	6,287,055	3,502,322
Deferred income taxes	1,717,616	1,215,389
Shareholders' equity:		
Capital stock (note 8):		
5% first preferred shares, Series A	232,600	251,600
7½% second preferred shares	1,300,000	—
Common shares	3,566,793	3,103,643
	5,099,393	3,355,243
Retained earnings	5,268,423	4,505,158
Contributed surplus	182,787	179,962
Reserve for possible loss on textile leases	475,000	—
Total shareholders' equity	11,025,603	8,040,363
Contingent liabilities and commitments (note 9)		
	$56,807,364	$44,842,153

On behalf of the Board:

W. H. YOUNG, Director

A. B. YOUNG, Director

See accompanying notes to consolidated financial statements.

(note 1)

CONSOLIDATED STATEMENT OF INCOME

Year ended April 30, 1972
with comparative figures for the period
March 22, 1970 to April 30, 1971

	1972	1971
Gross income (note 10)	$22,618,880	$18,023,840
Income before the following	$16,152,288	$12,014,456
Recovery of cost of leased property	10,885,864	7,855,114
Cost of borrowed money including $753,619 (1971—$913,928) on indebtedness initially incurred for a term exceeding one year	2,632,928	2,397,721
Depreciation and amortization	159,194	150,705
	13,677,986	10,403,540
Operating income	2,474,302	1,610,916
Investments:		
Income	327,197	336,242
Loss on revaluation (net)	(38,722)	—
Profit on disposal of fixed assets	83,732	—
Income before income taxes and extraordinary items	2,846,509	1,947,158
Income taxes (note 11):		
Current	711,000	397,500
Deferred	502,000	536,000
	1,213,000	933,500
Income before extraordinary items	1,633,509	1,013,658
Extraordinary items:		
Income tax credits arising from prior years' losses	121,000	97,500
Net income	$ 1,754,509	$ 1,111,158
Earnings per share (note 12):		
Income before extraordinary items	$ .74	$ .53
Net income	$ .79	$ .58

See accompanying notes to consolidated financial statements.

(note 1)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended April 30, 1972
with comparative figures for the period
March 22, 1970 to April 30, 1971

	1972	1971
Amount at beginning	$ 4,505,158	$ 4,362,805
Add net income	1,754,509	1,111,158
Deduct:	6,259,667	5,473,963
Dividends:		
First preferred shares, Series A	11,980	12,930
Second preferred shares	27,040	—
Common shares	477,224	285,945
	516,244	298,875
Appropriation for possible loss on textile leases	475,000	—
Excess of cost of investment in subsidiary companies over equity value at dates of acquisition	—	669,930
	991,244	968,805
Amount at April 30	$ 5,268,423	$ 4,505,158

(note 1)

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

Year ended April 30, 1972
with comparative figures for the period
March 22, 1970 to April 30, 1971

	1972	1971
Amount at beginning	$ 179,962	$ 176,632
Discount on redemption of first preferred shares, Series A	2,825	3,330
Amount at April 30	$ 182,787	$ 179,962

(note 1)

CONSOLIDATED STATEMENT OF RESERVE FOR POSSIBLE LOSS ON TEXTILE LEASES

Year ended April 30, 1972

Amount April 30, 1971	$ —
Appropriated from consolidated retained earnings	475,000
Amount at April 30, 1972	$ 475,000

See accompanying notes to consolidated financial statements.

(note 1)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

**Year ended April 30, 1972
with comparative figures for the period
March 22, 1970 to April 30, 1971**

	1972	1971
Funds provided:		
Net income	$ 1,754,509	$ 1,111,158
Provision for losses	519,152	466,456
Depreciation and amortization	159,194	150,705
Deferred income taxes	502,000	536,000
Funds provided from operations	2,934,855	2,264,319
Increase in short term debt	6,239,044	4,144,372
Increase in subordinated debt	2,784,733	42,366
Refund of income taxes	393,201	—
Proceeds from issue of second preferred shares	1,300,000	—
Proceeds from issue of common shares	463,150	912,850
Net assets of a subsidiary acquired through issue of common shares	—	200,863
	$14,114,983	$ 7,564,770
Funds used:		
Increase in leases receivable	$10,990,183	$ 9,026,725
Increase in residual values	566,544	556,924
Net losses	259,502	232,453
Increase in unearned income	(1,944,821)	(2,301,692)
Funds invested in leases receivable	9,871,408	7,514,410
Increase (decrease) in cash and deposits	1,523,243	(670,389)
Increase (decrease) in accounts receivable	177,528	(158,882)
Increase (decrease) in equipment purchased for lease commitments	1,063,701	(615,543)
Fixed asset purchases (net)	214,715	344,262
Increase in investments and advances	192,800	660,201
Reduction of (increase in) long term secured debt	544,845	(185,230)
Decrease (increase) of liabilities other than borrowings	1,188	(404,998)
Redemption of preferred shares	16,175	843,000
Dividends declared	516,244	298,875
Other (net)	(6,864)	(60,936)
	$14,114,983	$ 7,564,770

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 1972

1. The consolidated financial statements include the accounts of the company and all significant subsidiaries. All material intercompany balances and transactions have been eliminated. The subsidiaries not consolidated are either inactive or not material.

   The subsidiaries not consolidated are carried at cost as to $151,925, and at nominal value as to $1. These subsidiaries generated an aggregate net income of $51,146 (1971 an aggregate loss of $13,167) for their fiscal years ended in the year ended April 30, 1972. The aggregate accumulated losses from dates of acquisition amount to $129,799.

2. The Canadian leasing subsidiaries generally follow the practise of recording gross rentals to be received over the periods of the leases and, except for two subsidiaries, estimated residual values on leases written (estimated at 5% of the original equipment cost) as assets when leases are executed. The excess of such amounts over the cost of the related equipment is recorded as unearned income. For a relatively small number of leases, where residual values are contractual, unearned income is determined on cost net of such residual values. A portion of the unearned income is credited to current income at the commencement of the lease periods in an amount sufficient to offset lease acquisition costs. The balance of unearned income is credited to current income over the terms of the leases in diminishing monthly amounts on the sum of the digits method based on payments deemed to be made in accordance with the lessees' contractual obligations. The balance of the payments deemed to be made is recorded as recovery of cost of leased equipment.

   The lease contracts provide for equal periodic payments to be received over their terms. The amount of rentals to be received over the next five years and thereafter is summarized below:

Within:	1972	1971
One year	$18,746,616	$15,010,155
Two years	16,706,940	13,485,674
Three years	12,532,875	10,220,148
Four years	7,716,306	6,677,500
Five years	3,115,772	2,791,615
Thereafter	530,804	174,038
	$59,349,313	$48,359,130

   Included in leases receivable, unearned income and estimated residual value are the following amounts with respect to the remaining payments to be received on the leases to Cosmos Imperial Mills, Limited of textile properties, machinery and equipment, arising from the sale of the textile operations to Cosmos under an agreement dated February 24, 1969.

	1972	1971
Leases receivable	$2,040,000	$2,360,000
Unearned income	(747,397)	(872,450)
Estimated residual value	120,000	120,000
	$1,412,603	$1,607,550

   Income from these leases has been taken into the accounts on a straight line basis rather than on the basis of the regular leasing business of the company as set out above. No income has been received since December 31, 1971.

3. Inventories are valued at the lower of cost or replacement cost for raw materials and work in process and at the lower of cost or net realizable value for finished goods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 1972

	1972	1971
4. Investments and advances:		
Subsidiary companies not consolidated:		
Investment in shares (note 1)	$ 151,926	$ 157,327
Advances	225,091	214,863
	377,017	372,190
Less allowance for loss	—	53,750
	$ 377,017	$ 318,440
Other companies:		
Investment in shares:		
At cost plus value of stock dividends	$ 1,087,850	$ 924,050
At cost	848,613	746,824
At market value	110,000	250,000
	2,046,463	1,920,874
Advances	13,716	5,082
	$ 2,060,179	$ 1,925,956
5. Property, plant, equipment and improvements:		
Buildings:		
As valued by the Board of Directors on March 23, 1969	$ 391,421	$ 391,421
At cost	81,743	62,014
	473,164	453,435
Equipment and improvements, at cost	1,728,704	1,673,822
Automobiles, at cost	209,740	133,800
	2,411,608	2,261,057
Less accumulated depreciation and amortization	1,331,045	1,168,651
	1,080,563	1,092,406
Land:		
As valued by the Board of Directors on March 23, 1969	154,552	154,552
Additions after March 23, 1969, at cost	380,087	312,723
	534,639	467,275
	$ 1,615,202	$ 1,559,681

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 1972

6. Two leasing subsidiary companies are authorized to issue various series of secured notes and debentures in unlimited amount but only upon and subject to the conditions and limitations as set forth in Trust Indentures dated December 1, 1964 and October 1, 1965 both as subsequently amended. Equipment leases having an aggregate value of $55,072,938 have been deposited with the Trustees as security for the notes and debentures.

	1972	1971
Short term secured debt:		
Secured by notes and debentures issued by subsidiary companies in amounts aggregating $29,390,125 (1971; $24,110,275), of which $9,484,251 (1971; $10,456,214) including $295,032 (1971; $202,339) to provide for the exercise of forward exchange commitments at the current rate, is payable in U.S. funds	$25,933,959	$20,389,120
Bank loans, secured by hypothecation of accounts receivable, inventories and in 1971 certain securities	1,393,347	1,122,000
Funded debt of the company all retired since April 30, 1971	—	1,132,142
	$27,327,306	$22,643,262

Long term secured debt (payable by subsidiary companies):

Maturing in year ending April 30	Rate %	1972	1971
Notes:		$ —	$ 5,000
1972	9-1/2	5,000	1,061,250
1973	6-15/16 - 9-1/2	1,153,937	1,153,937
1974 ($1,100,000 U.S.)	7-1/8 - 10-3/4	1,607,530	1,232,531
1975 (including $600,000 U.S.).	8-1/2 - 10-3/4	307,594	307,594
1976 ($300,000 U.S.)	10-3/4		
First series debentures:		—	270,000
1972 ($250,000 U.S.)	7-3/16	497,500	516,094
1973 ($500,000 U.S.)	5-13/16 - 7-7/8	500,000	500,000
1976	7-3/8	—	500,000
1974	8		
1975 (including $90,000 U.S.) of which $500,000 is repayable $20,833 quarterly commencing		930,000	—
July 24, 1972	7-1/4 - 7-1/2		
1969 debentures:		250,000	250,000
1985	8-1/2	270,000	270,000
1985 ($250,000 U.S.)	7-1/2		
		$ 5,521,561	$ 6,066,406

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 1972

The 1969 debentures require annual sinking fund payments of $20,000 and $20,000 U.S. on July 1 in each of the years 1973 to 1983 inclusive and may be redeemed at the company's option at a premium of 10% to June 30, 1979, reducing by 2% annually thereafter.

	1972	1971
7. Subordinated funded debt:		
6½% Subordinated Debentures Series A maturing June 1, 1980 of which $50,000 are required to be retired by way of sinking fund on June 1, in each of the years 1972 to 1979 inclusive. The debentures are redeemable at the company's option at a premium of 3½% to June 1, 1972 reducing by ½ of 1% annually thereafter to no premium after June 1, 1979	$ 1,300,000	$ 1,350,000
8% Subordinated Serial Debentures Series B maturing as to $29,500 U.S. on June 1 and December 1 in each of the years 1972 to 1977 inclusive and June 1, 1978 and as to $28,000 U.S. on December 1, 1978. The debentures are redeemable at the company's option at the principal amount plus costs of purchase not exceeding ½ of 1% ($411,500 U.S.)	444,420	508,140
Due November 16, 1976 (U.S. funds $470,588) repayable $47,059 U.S. semi-annually 8%	507,735	609,282
Junior subordinated notes payable:		
Due August 1, 1979 repayable in 8 equal annual instalments commencing August 1, 1972 8¼%	175,000	175,000
Due August 1, 1979 repayable in 8 equal annual instalments commencing August 1, 1972 9%	859,900	859,900
8½% Senior subordinated debentures maturing in 1986 repayable in equal semi-annual instalments of $225,660, including principal and interest, commencing June 15, 1977	3,000,000	—
	$ 6,287,055	$ 3,502,322

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 1972

	1972	1971
8. Capital stock:		
First preferred shares issuable in Series of a par value of $100 each. Authorized 39,080 shares; issued 2,326 shares, 5% cumulative redeemable sinking fund first preferred shares Series A after redemption of 190 shares during the year (1971; 2,516 shares)	$ 232,600	$ 251,600
7½% cumulative redeemable convertible second preferred shares of a par value of $10 each. Authorized 390,000 shares; issued for cash during the year 130,000 shares	1,300,000	—
Common shares of no par value. Authorized 7,500,000 shares; issued 2,209,650 shares (1971; 2,071,425 shares) including 138,225 shares issued for cash during the year on the exercise of warrants	3,566,793	3,103,643
	$ 5,099,393	$ 3,355,243

The first preferred shares, Series A are redeemable at $101 plus accrued and unpaid dividends. The company is required to provide $15,000 (or less in certain circumstances) annually for the redemption of preferred shares which provision was fulfilled for the current fiscal period.

Under the terms of a share purchase agreement dated December 16, 1971 the unissued 7½% second preferred shares are to be issued for cash in two lots of 130,000 shares each to be delivered and taken up on June 30, 1973 and December 31, 1974 respectively.

Each 7½% cumulative redeemable convertible second preferred share is convertible at the option of the holder thereof at any time on or prior to December 31, 1981 into fully paid and non-assessable common shares of the capital stock of the company at the initial conversion rate of three common shares for each second preferred share tendered for conversion. Each holder of a second preferred share is entitled at all general meetings of shareholders of the company to three votes for each second preferred share held by him.

The company may redeem at any time after December 31, 1976 the second preferred shares, in whole or in part, on payment for each such share to be redeemed the amount paid up thereon together with an amount equal to accrued and unpaid dividends.

On January 1 in each of the years 1982 to 1991, both inclusive, the company shall set aside certain amounts as a sinking fund for the redemption of the second preferred shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 1972

By supplementary letters patent dated December 20, 1971 the authorized capital of the company was:

(i) reduced from 50,000 preferred shares of the par value of $100 each to 39,080 of such preferred shares by the cancellation of 10,000 6% cumulative redeemable convertible preferred shares, Series B, previously converted or purchased for cancellation and 920 5% cumulative redeemable sinking fund preferred shares, Series A, previously purchased for cancellation. Of the 39,080 of such preferred shares 36,709 unissued shares were re-designated as first preferred shares of the par value of $100 each and the 2,371 issued 5% cumulative redeemable sinking fund shares, Series A, then outstanding, were re-designated as 5% cumulative redeemable sinking fund first preferred shares, Series A;

(ii) increased by the creation of 390,000 7½% cumulative redeemable convertible second preferred shares of the par value of $10 each.

(iii) varied by the subdivision of each of the issued and unissued common shares into three common shares without nominal or par value.

1,170,000 common shares have been reserved for the future conversion of the 390,000 second preferred shares authorized such reservation being irrevocable prior to December 31, 1981.

6,000 common shares are reserved for issuance on the exercise of Series A warrants. These warrants entitle the holders thereof to purchase an aggregate of 6,000 common shares for $14,000 to and including July 2, 1972 when they expire.

At April 30, 1972 5,000 common shares of a subsidiary were reserved for issuance to the holders of common share purchase warrants at a price of $4 per share if purchased on or before August 15, 1974 and at $8 per share thereafter if purchased on or before August 15, 1979 when they expire.

9. Contingent liabilities:

As guarantor of loans to a subsidiary not consolidated $1,000,000 U.S.

The Department of National Revenue has questioned the deductibility of certain rental payments made under sale and lease back transactions for the tax years 1964 to 1968 inclusive. These transactions commenced in 1962 and were accepted by the Department for that year and 1963. If re-assessments are made the additional income taxes after adjusting capital cost allowances will be approximately $200,000 with interest. The company will object to any such re-assessment as in the opinion of management and counsel no additional taxes are exigible.

A foreign country has claimed taxes on certain profits made by the company in prior years. The company has claimed offsetting losses which, in its opinion, more than offset such claim. The ultimate liability for such taxes, if any, cannot yet be determined.

The company has an agreement with a Canadian chartered bank whereby it could be required to purchase certain textile inventories up to March 31, 1973, at a substantial discount from net realizable value. At April 30, 1972 the purchase price of this inventory would have been approximately $2,400,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 1972

Commitments:

Forward exchange contracts for \$11,000,000 U.S. (1971; \$10,000,000), maturing on various dates to February 12, 1973.

10. Gross income arises from:

	1972	1971
Lease rentals and related income	\$19,131,440	\$14,287,790
Sales	3,487,440	3,736,050
	\$22,618,880	\$18,023,840

11. Income taxes payable by the company and its subsidiaries are reduced through the application of prior years' losses and from the claiming of depreciation for tax purposes in excess of amounts recorded. Additional losses are available for application against taxable income of future years.

12. Earnings per share:

If it were assumed that the share purchase warrants of the company and one subsidiary had been exercised at the beginning of the companies' fiscal years the earnings per share would have been:

	1972	1971
Income before extraordinary items	\$ .70	\$ .48
Net income	\$ .75	\$ .53

In the fully diluted earnings per share calculation the following assumptions have been made (i) that the share purchase warrants have been exercised at the price attaching thereto and that the funds derived therefrom had been invested to produce an annual return of 9% or an imputed income after applicable tax of \$600 and (ii) that the 130,000 7½% cumulative redeemable second preferred shares were converted on a basis of three common shares for every preferred share held as of the date of issue of the second preferred shares. The resulting minority interests in the subsidiary has also been assumed.

13. There were twelve directors during the year ended April 30, 1972 and eleven directors at that date (1971; nine). Their aggregate remuneration as directors was \$4,200 (1971; \$3,000). There were five officers, four of whom were also directors, in both years, whose aggregate remuneration as officers was \$166,000 (1971; \$122,207).

BANKERS
THE HAMILTON GROUP LIMITED

CANADA	Bank of Montreal Bank of Nova Scotia Canadian Imperial Bank of Commerce The Mercantile Bank of Canada Royal Bank of Canada Societe Financiere pour le Commerce et l'Industrie Ltée Toronto-Dominion Bank
GERMANY	Westdeutsche Landesbank Girozentrale
UNITED KINGDOM	Arbuthnot, Latham & Co. Limited Wm. Brandt's Sons & Co. Ltd. Burston & Texas Commerce Bank Ltd. Charterhouse Japhet Limited Hill Samuel & Co. Limited International Commercial Bank Limited London Multinational Bank Limited
UNITED STATES OF AMERICA	American Express International Banking Corporation Barclays Bank of New York The Chase Manhattan Bank City National Bank of Detroit The Detroit Bank and Trust Company The Fidelity Bank Fidelity International Bank The First National Bank of Chicago Irving Trust Company Marine Midland Bank—Western The Philadelphia National Bank Wachovia Bank and Trust Company

THE
HAMILTON
GROUP
LIMITED

CONSOLIDATED STATEMENT OF INCOME

	3 Months Ended January 31		9 Months Ended January 31	
	1973	1972	1973	1972
Lease and finance income	$6,561,117	$4,931,053	$18,155,281	$13,921,755
Sales	851,567	938,648	2,383,479	2,646,687
Gross income	$7,412,684	$5,869,701	$20,538,760	$16,568,442
Income before the following	$1,645,916	$1,288,537	$ 4,512,929	$ 3,684,124
Cost of borrowed funds	1,064,305	670,232	2,777,819	1,966,270
Operating income	581,611	618,305	1,735,110	1,717,854
Investment income	129,187	86,158	353,762	210,455
Gain on disposal of fixed assets	-	-	33,283	-
Income before income taxes and extraordinary items	710,798	704,463	2,122,155	1,928,309
Income taxes	264,000	277,000	808,000	770,000
Income before extraordinary items	446,798	427,463	1,314,155	1,158,309
Extraordinary items:				
Loss on textile leases and investments	790,000		790,000	
Less applicable future tax recovery	325,000		325,000	
	465,000		465,000	
Net income (loss)	$ (18,202)	$ 427,463	$ 849,155	$ 1,158,309
Earnings per common share:				
Income before extraordinary items	$ .19	$ .19	$ .56	$ .53
Net income (loss)	$ (.02)	$ .19	$ .35	$ .53

AR01

THE HAMILTON GROUP

CONSOLIDATED CHANGES IN FINANCIAL POSITION

SIX MONTHS ENDED OCTOBER 31, 1972

(with comparative figures for 1971)

	1972	1971
Funds provided:		
Operations	$ 981,290	$ 949,616
Increase in short term debt	14,135,237	3,711,053
Increase in long term debt	3,551,281	(870,395)
Issue of common shares	14,000	407,150
Other (net)	207,030	894,860
	$18,888,838	$ 5,092,284
Funds used:		
Investment in leases receivable	$ 8,196,622	$ 4,659,378
Investment in mortgages receivable	7,795,732	—
Additions to fixed assets	586,957	80,821
Investment in other companies	796,731	120,540
Redemption of preferred shares	2,227	12,575
Dividends declared	320,221	218,970
Goodwill on purchase of subsidiary	1,190,348	—
	$18,888,838	$ 5,092,284

To the Shareholders:

Net income for the six months ended October 31, 1972 was $867,357. This represents an increase of approximately 19% over the income of $730,846 for the same period in 1971. Earnings per share for the period were 37c in 1972 compared with 34c for 1971, based on the average number of common shares outstanding.

Leases Receivable continued to grow at a very satisfactory rate and this will be reflected in future profits although margins were under some pressure from increasing competition.

The Company has completed arrangements to enter the short term commercial paper market and the first funds have been received from this source of borrowing. It is expected that this source of funds will assist in keeping borrowing costs competitive.

The regular quarterly dividend has been increased to 7c from 6c per share commencing with the dividend payable January 2, 1973. This is a continuation of our policy to increase dividends commensurate with increasing income.

W. H. Young,
President.

INTERIM REPORT TO SHAREHOLDERS

OCTOBER 31, 1972

THE HAMILTON GROUP LIMITED

THE HAMILTON GROUP LIMITED

CONSOLIDATED STATEMENT OF INCOME

	3 Months Ended October 31		6 Months Ended October 31	
	1972	1971	1972	1971
Lease and mortgage income	$6,124,911	$4,631,249	$11,594,155	$ 8,990,702
Sales	798,751	820,736	1,531,912	1,708,039
Gross income	$6,923,662	$5,451,985	$13,126,067	$10,698,741
Income before the following	$1,605,232	$1,226,111	$ 2,865,958	$ 2,407,255
Cost of borrowed funds	980,781	680,330	1,712,971	1,307,706
Operating income	624,451	545,781	1,152,987	1,099,549
Investment income	145,258	69,797	224,575	124,297
Gain on disposal of fixed assets	—	—	33,795	—
Income before income taxes	769,709	615,578	1,411,357	1,223,846
Income taxes	296,000	231,000	544,000	493,000
Net income for the period	$ 473,709	$ 384,578	$ 867,357	$ 730,846
Earnings per common share	$ .20	$ .18	$ .37	$ .34